

Saskatchewan Transportation Company

Second Quarter Report 2008

2008 2nd Quarter Corporate Reporting

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Management Discussion and Analysis

In this Management Discussion and Analysis (MD&A) section, STC Management discusses the results of its 2008 second quarter operations in context of both comparing the corresponding quarter and year to date results to the previous year (2007). This MD&A also presents any corporate issues, which arose in the second quarter, that are expected to impact the corporation's fiscal position.

Passenger Service:

In the first half of 2008, STC coaches traveled 1,576,513 miles, serving 278 Saskatchewan communities.

In the second quarter of 2008, revenues from passenger operations were \$1,812,000, down from \$1,822,000 in the second quarter of 2007. Year to date passenger revenues were \$3,787,000, compared to \$3,646,000 in the same period of 2007.

Expenses associated with operating passenger services in the second quarter were \$2,410,000, up from the 2007 figure of \$2,291,000. Year to date passenger operating expenses were \$4,923,000, compared to \$4,479,000 in the same period of 2007.

Operating losses for passenger services in the second quarter were \$598,000, compared to the loss of \$469,000 in the second quarter of 2007. Year to date losses were \$1,136,000, compared to a loss of \$833,000 in the same time period of 2007.

Overall, year to date revenues from passenger services were up \$92,000 from projected budget revenues.

Express Service:

Through its network of 191 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America. Express services tend to be somewhat seasonal, with increased freight activity generally occurring during farm seeding, harvest, and the Christmas holiday season.

In the second quarter of 2008, revenues from express operations were \$1,928,000, up from \$1,789,000 in the second quarter of 2007. Year to date express revenues were \$3,352,000, compared to \$3,214,000 in the same period of 2007.

Expenses associated with operating express services in the second quarter were \$1,336,000, slightly up from the 2007 figure of \$1,318,000. Year to date express operating expenses were \$2,599,000, compared to \$2,496,000 in the same period of 2007.

Profits realized for express operations in the second quarter were \$592,000, compared to the profit of \$471,000 in the second quarter of 2007. Year to date profits were \$753,000, compared to a profit of \$718,000 in the same period of 2007.

Overall, year to date revenues from express operations are slightly above budget.

Maintenance Services:

STC operates two garages in Saskatchewan. Major bus repairs and maintenance service occurs at the Saskatoon garage, while the Regina facility handles all minor bus servicing. In addition, the company provides contracted maintenance services and leases storage space to other bus companies in these facilities.

In the second quarter of 2008, expenses associated with maintenance services were \$843,000, equivalent to the 2007 figure of \$843,000. Year to date maintenance expenses were \$1,721,000, compared to \$1,664,000 in the same period of 2007.

Financial Services:

Overall, revenues for the second quarter of 2008 were \$4,045,000, compared to \$3,959,000 in the second quarter of 2007. Year to date revenues were \$7,703,000, compared to \$7,516,000 in the same period of 2007. Expenses for the second quarter of 2008 were \$5,974,000, compared to \$5,621,000 in the same period of 2007. Year to date expenditures were \$11,880,000, compared to \$10,883,000 in the same period of 2007.

The company's loss, before grants, in the second quarter was \$1,929,000, compared to \$1,662,000 in 2007. Year to date losses were \$4,177,000, compared to \$3,367,000 in the same period of 2007.

STC was approved for an operating grant of \$7.0 million from its holding company, the Crown Investments Corporation of Saskatchewan. Current projections for the year, based on the second quarter results, indicate that the company will require the full amount of grant funding. In the second quarter, STC drew down \$2,000,000 of the grant funds available from CIC. STC had no outstanding loans or indebtedness in the quarter.

At the end of the quarter, the Government's equity in STC stood at \$10,239,000, compared to \$9,576,000 at the same time last year, primarily as a result of the construction of the new Regina head office and depot.

Other Issues:

During the second quarter, construction continued on the new Regina passenger and freight depot and head office. This facility is expected to open in late 2008.

Year to date ridership was 135,743, compared to 130,510 in the same period of 2007, an increase of slightly more than 4%.

Saskatchewan Transportation Company**Statement of Financial Position**

(unaudited - thousands of dollars)

	As at June 30, 2008	As at December 31, 2007
Assets		
Current		
Cash	\$ 1,638	\$ 1,617
Accounts receivable	1,374	2,047
Inventories	385	370
Prepaid expenses	548	438
	3,945	4,472
Property, plant and equipment	37,825	34,548
	\$ 41,770	\$ 39,020

Liabilities and Province's Equity

Current		
Accounts payable and accrued liabilities	\$ 2,074	\$ 3,896
Deferred capital grant	29,457	24,874
Province of Saskatchewan's Equity		
Retained earnings	10,239	10,250
	\$ 41,770	\$ 39,020

Saskatchewan Transportation Company

Statement of Operations and Retained Earnings

(unaudited - thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenue				
Express services	\$ 1,928	\$ 1,789	\$ 3,352	\$ 3,214
Passenger services	1,812	1,822	3,787	3,646
Other	312	269	571	577
Loss on disposal of property, plant and equipment	(7)	79	(7)	79
	4,045	3,959	7,703	7,516
Expenses				
Operating	4,589	4,452	9,243	8,639
Administration	904	714	1,669	1,360
Amortization	481	455	968	884
	5,974	5,621	11,880	10,883
Loss before the following	(1,929)	(1,662)	(4,177)	(3,367)
Operating Grant	2,000	1,250	3,500	2,000
Capital Grant	328	339	666	653
Net income (loss)	399	(73)	(11)	(714)
Retained earnings, beginning of period	9,840	9,649	10,250	10,290
Retained earnings, end of period	\$ 10,239	\$ 9,576	\$ 10,239	\$ 9,576

Saskatchewan Transportation Company
Statement of Cash Flows
(unaudited - thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Operating Activities				
Net income (loss)	\$ 399	\$ (73)	\$ (11)	\$ (714)
Items not involving cash:				
Amortization	481	455	968	684
Loss on disposal of property, plant and equipment	7	(79)	7	(79)
Recognition of capital grant	(328)	(339)	(666)	(653)
Net change in non-cash working capital	80	(1,511)	(1,275)	(1,470)
Cash provided by (used in) operating activities	639	(1,567)	(977)	(2,032)
Investing Activities				
Additions to property, plant and equipment	(2,333)	(3,892)	(4,245)	(6,498)
Net change in non-cash working capital related to extraordinary item	(7)	-	(7)	-
Proceeds on disposal of property, plant and equipment	-	127	-	127
Cash used in investing activities	(2,340)	(3,765)	(4,252)	(6,371)
Financing Activities				
Capital grant received	2,150	4,700	5,250	6,700
Cash used in financing activities	2,150	4,700	5,250	6,700
Increase (Decrease) in cash	449	(632)	21	(1,703)
Cash, beginning of period	1,189	717	1,617	1,788
Cash, end of period	\$ 1,638	\$ 85	\$ 1,638	\$ 85

Saskatchewan Transportation Company

Notes to Financial Statements

(unaudited)

1. Basis of Presentation and Significant Accounting Policies

The interim financial statements of the Saskatchewan Transportation Company (the Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended December 31, 2007.

These financial statements have been prepared following the same accounting principles as the financial statements for the fiscal year ended December 31, 2007.

2. Seasonal Nature of Express Revenues

Historically, STC's express service tends to be seasonal with the first quarter being slightly lower and the fourth quarter being slightly higher than the second and third quarters. This is due to the absence of significant agricultural activity in the first quarter and the increase in holiday shipping in the fourth quarter of the year.

